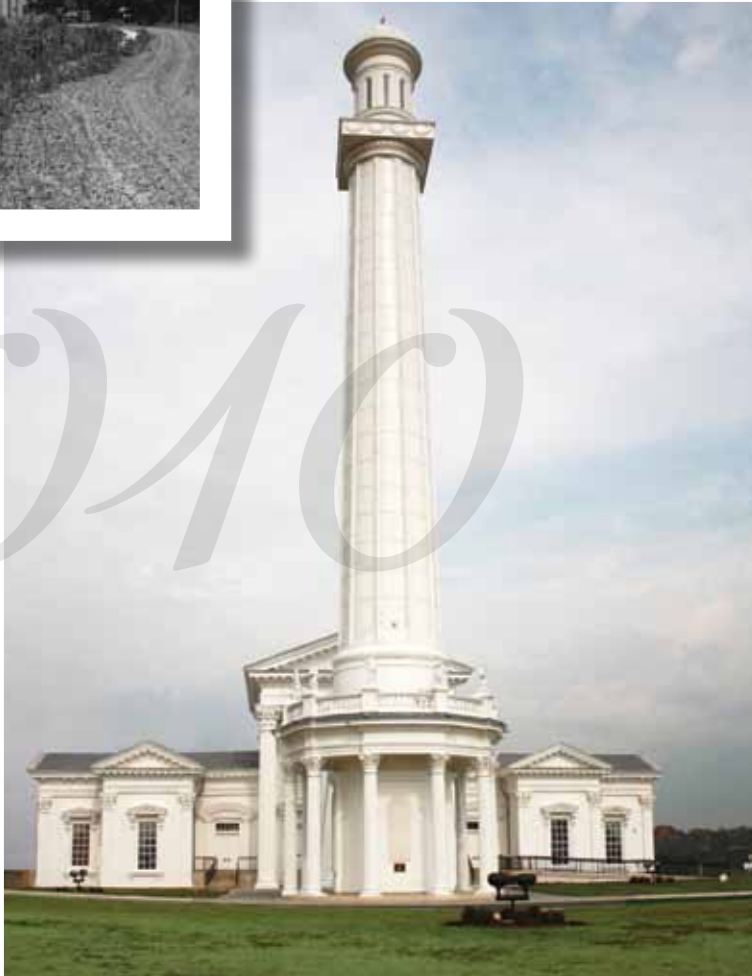
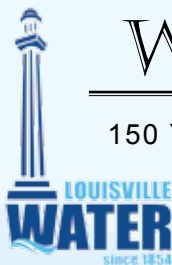




1860



2010



# WATER WORKS

150 YEARS OF LOUISVILLE WATER COMPANY

# 150 YEARS OF QUALITY, INNOVATION AND VALUE

2010 marked the 150th anniversary of operations for Louisville Water Company. On October 16, 1860, the “Water Works” began as Kentucky’s first public water provider, delivering drinking water to 512 customers through 26 miles of pipe. Now, 150 years later, Louisville Water has grown to include nearly 280,000 customers and over 4,100 miles of water main.

The 2010 Annual Report highlights the quality, innovation and value that have defined Louisville Water’s service for 150 years.



An employee sits atop one of the original cast iron pipes, circa 1878



An employee inspects a section of the original cast iron pipe in October 2010



## CONTENTS

- 1- President’s Message
- 2- 2010 Company Highlights
- 16- Financial Performance and Operations
- 20- Corporate Information
- 21- Independent Auditor’s Report
- 22- Management Discussion and Analysis
- 28- Financial Statements
- 46- Supplemental Information

Louisville Water provides drinking water to 850,000 people in Louisville Metro and parts of Bullitt, Nelson, Oldham, Shelby and Spencer counties. In 2010, the company delivered an average of 127 million gallons of water every day through 4,115 miles of water main. The customer base also includes wholesale contracts to Lebanon Junction, Mount Washington, North Nelson Water District, North Shelby Water Company, Taylorsville and West Shelby Water District. Louisville Water operates two treatment plants; the Crescent Hill Filtration Plant has a capacity of 180 million gallons per day and the B.E. Payne Water Treatment Plant has a capacity of 60 million gallons per day. Louisville Water draws water directly from the Ohio River and in the aquifer through a riverbank filtration system.

## PRESIDENT’S MESSAGE



Greg Heitzman, President/CEO

I’m pleased to provide you with Louisville Water Company’s 2010 annual report. Our company marked 150 years of operations in 2010. The “Water Works” began as Kentucky’s first public water provider on October 16, 1860. In the early years, the company struggled when the Civil War erupted, crippling the economy. Ironically, on our 150th anniversary, the economy has once again impacted our business in a dramatic fashion. However, the Water Works overcame the initial struggles to quickly become a lifeline to the community, and today our company continues to provide outstanding quality and service to our customers. Our 150th anniversary was a community celebration. Numerous events throughout the year allowed customers and visitors in the region the opportunity to explore our rich history of quality, service and innovation.

### A CHANGING BUSINESS CLIMATE

The national recession and changing patterns in water usage impacted our business in 2010. The National Weather Service reported 2010 as the hottest summer on record in Louisville, and the region experienced a drought from midsummer through the fall. Total yearly precipitation of 38.5-inches was 13-inches less than the five year average. Traditionally, our water sales are tied to the weather. But in 2010, even with the hot, dry weather, water sales were 7.5 percent below pre-recession levels. Much of this decline can be attributed to declining water usage. Since 1975, we’ve seen a 45 percent increase in the number of customers and a 67 percent increase in the miles of water main installed. Yet, our water sales are essentially flat, rising only 0.1 percent since 1975. In essence, we’re delivering the same amount of water but distributing it to more customers over a larger service area.

With lagging sales and a struggling economy, we continued our budget reduction strategy in 2010 and kept operations and maintenance expenses at 2.7 percent below budget. Our employees are to be recognized for their commitment of delivering outstanding service with fewer resources. We ended 2010 with revenue of \$148.2 million—\$3.9 million below budget, but \$12.4 million over 2009. Our prudent management of expenses and reserves allowed us to meet the expected return on investment to our stockholder, Metro Louisville, with a dividend of \$18.1 million.

### COMMUNITY STEWARDSHIP

Even with economic challenges, we continued our commitment to the communities we serve. Our community partnerships, includ-

ing Smile Kentucky!, Tap Into Fitness and Adventures in Water, were offered at schools throughout the region. We completed our second year of funding the Customer Assistance Program to help low and fixed income families pay water and sewer bills. Our employees logged over 5,400 volunteer hours of community service and we provided nearly \$500,000 of in-kind investment to the community.

### A YEAR OF MILESTONES

Louisville Water is known for its innovation and science in water treatment. In 2010, we received national attention for our continued efforts. We became one of only eight water utilities in the United States to achieve the prestigious EPA Partnership for Safe Water Phase IV award for outstanding water treatment plant performance, and our management practices were recognized as some of the best in the industry by the Association of Metropolitan Water Agencies.



Louisville Water Company President/CEO Greg Heitzman, Project Manager Kay Ball and Chief Engineer Jim Brammell accept the Outstanding Civil Engineering Achievement award along with our engineering partners.

We ended the year by completing a world-class innovation, the riverbank filtration project to draw a natural supply of water deep from the Ohio River aquifer with a tunnel and well system. Then, in March 2011 the American Society of Civil Engineers honored the project with its 2011 Outstanding Civil Engineering Achievement award. This prestigious honor recognizes our work as the best in the world for a civil engineering accomplishment.

These are challenging times for our industry. We must not lose sight that we are a lifeline to this region, providing safe and high-quality drinking water. Our ongoing innovations improve not only the essential water service we provide but also the quality of life in the communities we serve.

Greg C. Heitzman

Greg C. Heitzman  
President/CEO, Louisville Water Company



INNOVATION – ABOVE AND BELOW



Jim Brammell  
Vice President, Chief  
Engineer

Louisville Water’s engineering projects in 2010 advanced the science of drinking water, both above and below the ground.

After over 10 years of design and construction, the Riverbank Filtration project began operating in December. The \$55 million investment took place largely underground, next to the B.E. Payne Treatment Plant. A mile-and-a-half long tunnel that is 150-feet deep in bedrock will collect water from four wells in the aquifer, providing a much cleaner water source. We completed the project in 2010, including a pump station that can



Constructing the riverbank filtration pumping station

pull up to 75 million gallons of water a day from the aquifer. The start-up was smooth and there were instant benefits including a constant water temperature of around 55 degrees which will result in fewer water main breaks. Main breaks increase significantly in the winter months as the water temperature dips below 40 degrees.

This project is an engineering feat. Louisville Water is the first utility in the world to combine a tunnel with wells as a source for drinking water. The American Society of Civil Engineers awarded Louisville Water with the “2011 Outstanding Civil Engineering Achievement Award.” Other finalists included the new Dallas Cowboy’s stadium, the Incheon Bridge Project in Korea, a reservoir project in Missouri and the Washington Dulles Airport Terminal.

ON-SITE CHLORINE GENERATION

We achieved a milestone in the summer when we began producing our own supply of disinfectant at the Crescent Hill Filtration Plant. The on-site generation facility uses water, salt and electricity to produce a dilute form of sodium hypochlorite. The facility allows us to only produce what we need each day for water treatment and eliminates the need to store two 90-ton railcars of pure chlorine. The transport and storage of chlorine represented a significant risk to the community and our employees. The \$11 million project was completed in August at \$1 million under budget.

RENOVATING THE CRESCENT HILL FILTRATION PLANT



Inside the filter gallery at the Crescent Hill Filtration Plant

The chlorine generation facility is part of an \$88 million capital upgrade at the Crescent Hill Plant that will end in 2012. The work will not only rehabilitate the 100-year-old facility, but incorporate new technology that will allow us to exceed drinking water regulations that take effect in 2012.

The ongoing work in 2010 included renovation of the softening basins and the filters in the east gallery. The filter project will result

in a deeper configuration of sand and coal to increase our filtration capacity and a robust air-scour system to clean the filters. A critical element of the filter backwash component will be the construction of a new elevated storage tank. Because of the plant’s neighborhood location and its historic significance, we included the Crescent Hill community in the decision making process. The new tank will include architectural



A new, elevated storage tank complements the existing historic structures

details that complement the existing historic structures. The overall renovation of the Crescent Hill plant is being done in multiple phases since the plant must be operational throughout the renovation.

Based upon the recommendations of the new 2011-2030 Facilities Plan, we are preparing to make additional investments at Crescent Hill for advanced treatment. We have \$54 million allocated between 2011 and 2015 to construct an additional treatment barrier at the plant.

MAINTAINING OUR INFRASTRUCTURE

In 2010, we implemented new technology that allows us to identify potential issues with major transmission mains before there is a failure. The work involves remote sensing technology (Remote Field Transformer Coupling) and utilizing a robot of sorts which moves through a pre-stressed concrete cylinder pipe to locate problems with the wires that give the pipe its strength. Using this technology, pipe sections can be monitored, repaired or replaced before they fail. We will invest \$15 million over the next 10 years to inspect over 100 miles of pre-stressed concrete pipe.



Crews lower the “robot” into a water main

The total water main breaks for 2010 was 817, higher than the five-year average of 698. Drought conditions in the late summer and fall attributed to the increase. However, when looking at the 10-year average, we continue to see a decline in the overall main break and leak activity due to the investments we have made in rehabilitating and replacing aging infrastructure.

BULLITT COUNTY EXTENSION PROGRAM

We completed a nine-year effort in Bullitt County to improve fire protection. Since 2001, we have installed 609 fire hydrants as part of the Bullitt County Extension Program. Our staff coordinated with the local fire districts to place the hydrants and now the districts have received improved ISO (Insurance Services Office) ratings which can provide homeowners with lower insurance premiums.



As part of the extension program, we also completed a new booster pump station and an elevated tank on Kentucky Highway 480. This will improve pressure for customers in the eastern part of Bullitt County and better serve wholesale customers. In addition, crews installed over seven miles of water main that will make water service available to residents who previously did not have access to a public water supply.



1860  
Louisville Water  
begins operations



1858  
Theodore Scowden designs  
the original pumping station  
and water tower



1857  
Work begins on the original  
facilities with crews clearing  
a forest for the original  
reservoir

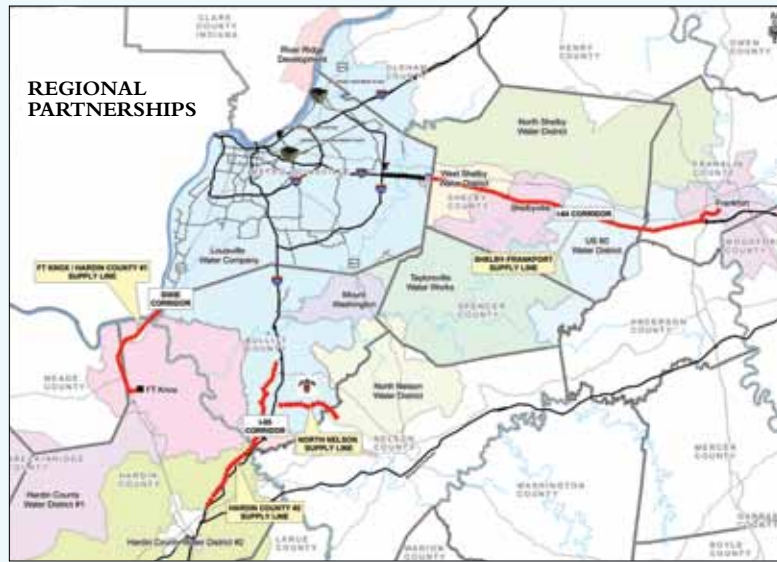


1854  
Kentucky Legislature  
charters Louisville Water  
Company

1861  
Civil War begins



## EXPANDING OUR REACH



Louisville Water continues to expand its role as a regional water provider, partnering with communities and utilities to develop water supply solutions. Work continued in 2010 on several projects that will not only improve service for our customers, but create additional water supplies for neighboring communities.

### INTERSTATE 64 CORRIDOR

We will complete the first phase of a 37-mile transmission line along Interstate 64 from Louisville to Frankfort by the summer of 2011. During 2010, we installed 5.4 miles of 36-inch steel transmission pipeline along Interstate 64 from the Gene Snyder Freeway to the Jefferson/Shelby County line, constructed a two-million gallon elevated storage tank and began work on a booster pump station. This \$20.5 million project will provide an additional water supply and improved pressure to eastern Jefferson County. Louisville Water received \$4.2 million for this project from the U.S. Government's American Recovery and Reinvestment Act. State leaders and the EPA highlighted our work as a success story in using stimulus funding to create jobs and infrastructure improvements. The second phase of the project, currently



The bowl of an elevated tank is lifted in place.

under design, will provide up to 10 million gallons of water a day to Shelby County and Frankfort.

### INTERSTATE 65 SOUTH CORRIDOR

Louisville Water continues to partner with Hardin County utilities in developing regional water supply solutions for Fort Knox and the Hardin County region. Hardin County Water District 1 will partner to build a 24-inch pipeline from Muldraugh to connect to our system at Katherine Station Road. The district needs the additional water supply for reliability and to support growth. The project will also allow Fort Knox to retire the aging Muldraugh Water Treatment Plant. The state of Kentucky's funding package to improve the infrastructure serving the Fort Knox area includes \$4.5 million in grants for this project.

Hardin County Water District No. 2 will also receive \$6.0 million from that funding package to construct a 24-inch pipeline just north of Elizabethtown to our system in Lebanon Junction. This critical wholesale connection will give District No. 2 a back up supply for its existing treatment plant and allow for future growth.

In Bullitt County, the Jim Beam Clermont Plant has converted all of its daily water usage to Louisville Water supplies from a 16-inch water main we completed from Chapeeze Lane to Kentucky Highway 245.

We are extending that water main from Kentucky Highway 245 to connect to the North Nelson Water District along with constructing a booster pump station. This new wholesale supply will allow North Nelson to purchase most of its water from Louisville Water.

### SOUTHERN INDIANA

Louisville Water is partnering with River Ridge Development Authority and Watson Water Company to operate the water system at the River Ridge Commerce Center, formerly known as the Indiana Army Ammunition Plant. The Indiana Department of Natural Resources selected the partnership's proposal and we are in the final stages of negotiations. The proposal calls for River Ridge to be the lead partner with Watson Water for operating the distribution system and Louisville Water managing treatment and water quality operations.

## VALUE IN EVERYTHING WE DO

Louisville Water enjoys great customer satisfaction. Monthly surveys show an overwhelming majority are extremely satisfied. In 2010, we implemented several initiatives to enhance the value of our product.

### CUSTOMER ASSISTANCE PROGRAM

Over the past two years, the percentage of bad debt, water revenue that is not collected, has steadily grown. A new program will help customers who have difficulty paying their water and sewer bill.

In partnership with the Metropolitan Sewer District (MSD), we began a Customer Assistance Program that included \$71,000. We funded our portion, \$34,000, with 10% of the 2009 revenues from our water-line protection program. MSD provided \$25,000 and Home Serve USA, the company that offers the water-line protection, contributed \$12,000.



A counselor for Ministries United of South Central Louisville works with a client

Three organizations work with us and administer the funds: Area Community Ministries in Jefferson County, Shepherd's Center in Bullitt County and the Oldham County Chapter of the American Red Cross. The agencies screen and qualify applicants for assistance, then communicate and transmit the pledge funds.

While the program began as a pilot in 2010, we quickly realized the positive impact for hundreds of customers. "The Customer Assistance Program has been the safety net for families," said Anne Smith, Executive Director of Ministries United of South Central Louisville.

### NEW LINES OF BUSINESS

The water line protection program evolved from an internal "Strategy Innovation Team" in 2005 that identified new lines of

business that built upon our existing assets and competencies. The program has grown each year and in 2010 we began offering a similar private sewer-line program. To date, over 70,000 customers have enrolled in the water-line program and 14,000 in the sewer-line program. Offered by a third party vendor, this voluntary program allows residential customers to pay a monthly fee to cover repairs on their home water or sewer line. Louisville Water retains 10% of customer payments, totaling \$524,000 in 2010.

### PAYMENT ENHANCEMENTS

We expanded online payment options with a free, electronic check. Customers can register to create an online account and payments post within five business days. Today, just a narrow majority of our customers, 49%, mail their payment. Customers using online payment methods now account for 43% of our transactions.

### ON-THE-JOB TRAINING

We continued a strong safety record in 2010 with a focus on training and employee engagement. We saw a 33% drop in OSHA recordable injuries as compared to a rolling average of the last five years. In addition, there was a 14% drop in motor vehicle accidents as compared to the five year average.

We launched an internal training program that allowed employees to immerse themselves in other aspects of the company and learn how it relates to their job. During "H2O Tuesdays," employees read water meters, sampled the technology that locates water mains and valves and understood Louisville Water's connection to fire protection. The training, delivered by Louisville Water employees to their peers, created a sense of pride across the company.



Employees learn how fire hydrants operate in H2O Tuesdays



1861

Charles Hermany becomes chief engineer, a job he holds until his death in 1908



1864

First fire hydrants installed



1879

Crescent Hill Reservoir opens

1879

Thomas Edison invents incandescent light



1890

Tornado snaps the Water Tower at the base



QUALITY WATER....QUALITY OF LIFE

When Louisville Water began operations in 1860, the city’s quality of life quickly improved. Now, 150 years later, we continue to enhance the neighborhoods we serve and work to bring safe drinking water to others around the world.

In 2010, our employees donated over 5,400 volunteer hours to local and national organizations. In addition, employees raised a record amount, \$166,000 for three charities: Metro United Way, Fund for the Arts and Water For People.



A water purification system in Haiti

LOUISVILLE PURE TAP®

Over 200 organizations depend on Louisville Water to provide Pure Tap® for walks and runs, school events and festivals. We helped Field Elementary, a neighbor to the Crescent Hill Filtration Plant, launch a walk-a-thon to raise money for the school. In 2010, we also provided assistance during emergency operations for the American Red Cross. We sent hundreds of cases of Pure Tap® to eastern Kentucky after flood waters damaged the water treatment system.



Tapper, Louisville Water’s mascot, leads a walk-a-thon

EDGE OUTREACH

After a devastating earthquake struck Haiti in January, our company reacted quickly to provide assistance to EDGE OUTREACH, a Louisville-based organization that works to provide safe drinking water in Haiti and other developing countries. Louisville Water donated \$10,000 for water and purification systems and employees raised another \$5,200. We continued by collecting over 1,200 pairs of shoes that EDGE will use to generate additional funds for water systems.

ADVENTURES IN WATER

Over 60,000 children in 10 counties participated in our “Adventures in Water” education program that includes school-based programming and tours. Now in its eighth year, this program continues to grow with over 100 schools engaged and through partnerships with the Louisville Zoo, Jefferson County 4-H, Louisville Science Center and the Frazier International History Museum. In 2010, we expanded our work with the local 4-H District by delivering monthly science and social studies programs at eight schools. 4-H agents praise the program for helping students see “the big picture in what it takes to make a city run.”

With the help of a donation from CH2M Hill, an engineering partner, we donated over 100 books to Minors Lane Elementary and began an effort to donate water-related books to many of the schools we visit.



4-H students at the Adventures in Water festival



Students tour the inside of the historic Water Tower.



SMILE KENTUCKY!

Our community dental partnership, Smile Kentucky! provided free treatment to 300 children. This program worked with 30 schools providing dental education, free dental screenings and treatment. The Kentucky Dental Association featured the program’s success as part of its 100th anniversary in 2010.



1893  
Pumping Station No. 2 opens



1896  
George Warren Fuller oversees landmark experiments in filtration

1906  
Board of Water Works created



1909  
Crescent Hill Filtration Plant opens



1910  
Company moves its offices to a fireproof building at 435 S Third Street

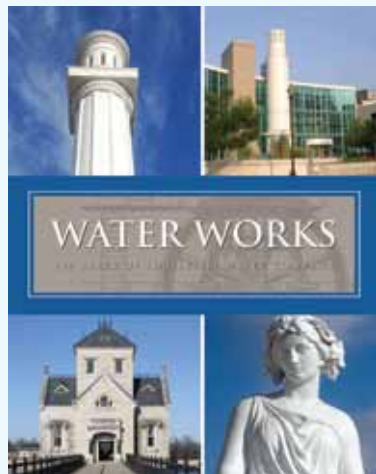


## LOUISVILLE'S WATER WORKS 1860 – 2010

Since the history of Louisville Water mirrors a significant part of Louisville's history, the 150th anniversary was a year-long community celebration. Exhibits, public events, art displays and a new book showcased how water "works" in so many ways.



The celebration began in March when the Kentucky Historical Society named the Crescent Hill Gatehouse and Reservoir and the Crescent Hill Filtration Plant state historic marker sites.



A new book, *Water Works, 150 Years of Louisville Water Company*, written by Kelley Dearing Smith explores the colorful history of the company through photographs and stories from our archives. Proceeds benefit science and public health initiatives in this community and worldwide.



A section of the original 1860 cast-iron pipe is still in service along Story Avenue. Crews removed a small area for research and archival purposes. The Ductile Iron Pipe Research Association presented Louisville Water with a "sesqui-centennial" award for having an original piece of water main operational for 150 years.



Two former Louisville Water Company presidents, John L. Huber (left) and Foster Burba (right) stand alongside current president and CEO Greg Heitzman. The piece of the original main is in the foreground.



### 150TH ANNIVERSARY DAY

More than 1,200 employees, retirees and Louisville residents attended a celebratory open house on October 16 at the historic Louisville Water Tower and Pumping Station. Much like the opening in 1860, the day was a community picnic with horse-drawn carriage rides and tours of the Water Works. Visitors stepped inside the current pumping stations to see one of the steam engines installed in the early 1900s. The engine is no longer operational, but is intact with the fly-wheels and circular staircase that allowed employees to access the top of the engine. A "mud pump" that was discovered in a boiler house was restored and on display along with a collection of archival photographs.



"Reflections on a Louisville Landmark," a juried art exhibit at the Louisville Water Tower featured interpretations of the historic landmark.



**1911**  
Initial Cornish-beam engines dismantled

**1914**  
World War I begins



**1917**  
U.S. Government calls Louisville's water "almost perfect" and locates Camp Taylor in Louisville



**1919**  
Company opens the Crescent Hill swimming pool



**1920**  
Pumping Station No. 3 opens

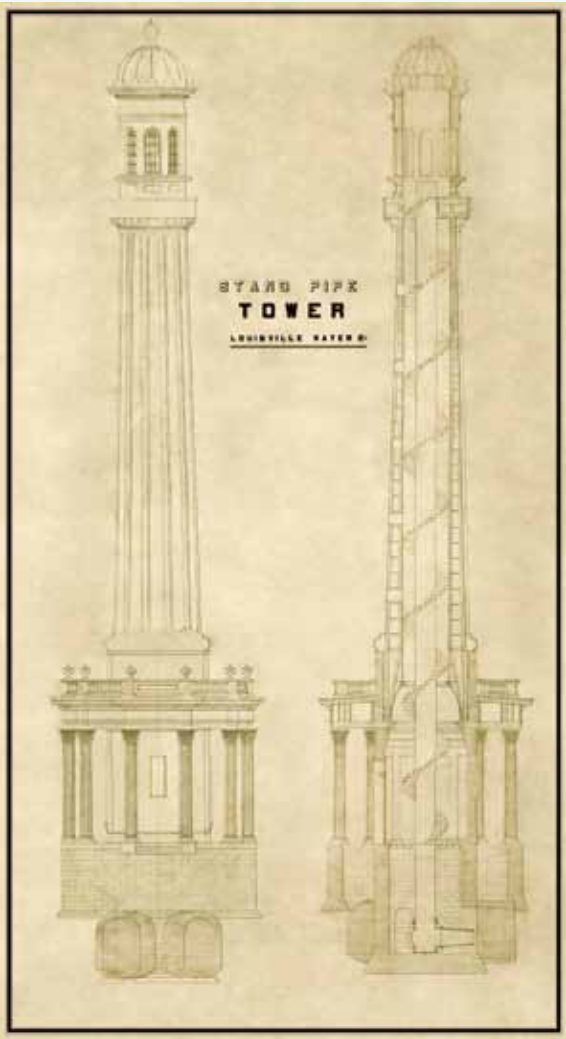
**1920**  
19th Amendment gives women the right to vote



# LOUISVILLE'S WATER WORKS 1860 – 2010



As part of the 150th anniversary, we restored Theodore Scowden’s original drawing of the Water Tower. An employee discovered the drawing tucked in a storage drawer in the company’s offices in the 1990s. As part of the preservation, the drawing was stabilized, repaired and encapsulated. In addition, a digital restoration of the image created how the drawing would have originally looked around 1858. Scowden’s original drawing included decorative urns on the pedestals above each column. Instead, statues were added in 1861.



## WATER WORKS EXHIBIT

Enjoy a tall glass of H2Know! In partnership with the Frazier International History Museum, we produced a temporary exhibit to highlight our history of quality and innovation. “Water Works” showcased memorabilia, photographs and film from our archives and a model of the historic water tower. Thousands of visitors learned how Louisville Water has impacted the quality of life in this community and worldwide.



In 2010, we updated our corporate logo to capture the spirit of quality and innovation and more clearly display our name.

The company’s original mark in 1860 was a fountain. It evolved over the years to include an overlay of “LWCo” and then included the water tower by the 1940s.

1928  
Modern-day  
television set  
invented

1928  
First electric pump at  
River Road pumping  
stations



1932  
Cardinal Hill Reservoir  
opens to serve the south-  
ern part of the service area



1937  
Ohio River floods the pumping station.  
Engineer B.E. Payne devises a plan  
to dock a barge filled with coal next to  
the station to power the steam engines.  
The city continued to get water during  
the Great Flood.



1941  
All services  
are metered

1941  
Pearl Harbor attack



## RESTORING A NATIONAL HISTORIC LANDMARK

It has stood on the banks of the Ohio River for over 150 years, serving as a visual landmark for the city and Louisville Water. In 2010, a \$2.6 million restoration of the original pumping station brought the National Historic Landmark to closely resemble its appearance in 1860.

The restoration involved a range of activity from installing a new slate roof, removing layers of exterior paint and then repainting the building white to reflect the Classical Revival Style. Some of the more meticulous work included restoring and cleaning the building's original elements such as the masonry façade, wood soffits and terra cotta decorations. There are 480 hand-crafted modillions on the Pumping Station, most made of terra cotta, which were cleaned, repaired and in some cases recast.



Photos courtesy of HGC Construction



The project required immense coordination. Work began on the front of the building in the spring of 2010 and was nearly complete by October, in time for the 150th anniversary day event. Because of the Pumping Station's historic status, the project qualified for a tax credit under the Kentucky Heritage Council that totaled \$214,390. A unique part of the restoration includes constructing a riverside terrace on the north side of the building. When complete in 2011, this new feature will complement the existing architecture and provide a shoreline-view of the Ohio River.

1942

Annual dividend to the city surpasses \$1 million

1946

Employees organize the "Water Workers" union as part of United Public Workers



1951

Remaining steam pumps converted to electricity. Fluoride added to the drinking water

1951

General Electric announces it will locate Appliance Park in Louisville



1960

Company marks its 100th anniversary with a piece of the original cast-iron water main on display at the Water Tower

1963

John F. Kennedy assassinated



AWARDS & COMMUNITY LEADERSHIP

ACHIEVEMENT AWARDS

- **American Public Works Association Roadeo, 1st place**  
Phil Henry, Shawn Shaw, Raymond White
- **American Society of Civil Engineers, Outstanding Civil Engineering Achievement Award**  
Louisville Water's Riverbank Filtration Tunnel and Pump Station were recognized as the best example of a civil engineering project.
- **Association of Metropolitan Water Agencies Gold Management Award**  
Louisville Water was one of 13 drinking water utilities honored. The award recognizes the company's forward-thinking management style, financial operations, high-quality and affordable drinking water and its responsive customer service.
- **Beautification League of Louisville and Jefferson County Outstanding Landscape and Maintenance, 2nd place**
- **Kentucky Ready Mix Concrete Association Outstanding Concrete Design Award for the Riverbank Filtration Project**



Vince Guenthrer (right) accepts an award from Kentucky Rural Water Association

- **Kentucky Rural Water Association Award for Outstanding Customer and Public Relations Efforts**
- **Kentucky/Tennessee American Water Works Association, 1st place, "Best Tasting Tap Water"**
- **Kentucky Water and Wastewater Operators Association, Eugene Nichols Award**  
Ruth Lancaster

- **Partnership for Safe Drinking Water, Phase IV Excellence in Water Treatment Award for the B.E. Payne Treatment Plant**  
Signifying the best plant performance, the Phase IV award is the highest level in the Partnership program. Louisville Water's B.E. Payne Treatment Plant is one of only eight treatment plants in the country to achieve this status.



- **Ductile Iron Pipe Research Association, Sesqui-centennial Award**  
Louisville Water received this award on its 150th anniversary for having a water main in continuous service for 150 years. A small section of the pipe was removed for research and archival purposes and was on display at the historic Water Tower. President & CEO Greg Heitzman and Chief Engineer Jim Brammell accept the award from representatives of the Research Association.
- **Tri-State Minority Supplier Development Council "The Agave Keystone Award" for significant achievement in minority business spending**

BOARDS/COMMISSIONS

- **American Red Cross, Louisville Chapter Board of Directors**  
Dave Vogel
- **American Society of Civil Engineers, Kentucky Chapter Board of Governors**  
Daniel Tegene
- **American Society of Civil Engineers, Louisville Chapter**  
Denise Hettinger, Vice-president
- **American Society of Heating, Refrigerating, and Air Conditioning Engineers, Louisville Chapter**  
Julian Donahue, Vice-president and Secretary
- **American Society of Mechanical Engineers, Louisville Chapter**  
Ralph McCord, Vice-chair
- **American Water Works Association (AWWA) National Cross-Connection Control Committee**  
John Ralston, Chair
- **AWWA National Finance and Accounting Management Controls Committee**  
Amber Halloran, Chair
- **AFSCME Council 62 Regional Executive Board**  
Billy Meeks
- **Better Business Bureau Board of Directors**  
Greg Heitzman
- **Boy Scouts of American, Lincoln Heritage Council Board of Directors**  
Greg Heitzman
- **Center for Women and Families Board of Directors**  
Barbara Dickens
- **Court Appointed Special Advocates for Children (CASA) Board of Directors**  
Dave Vogel
- **EDGE OUTREACH Advisory Board**  
Greg Heitzman
- **Fund for the Arts Board of Directors**  
Greg Heitzman
- **Institute of Internal Auditors, Louisville Chapter Board of Governors**  
Roger LeMaster
- **Jefferson County Cooperative Extension Service Council**  
Marsha Meyer, President
- **Geospatial Information & Technology Association Indiana/Kentucky/Ohio Board**  
James Bates
- **Greater Louisville Inc. Board of Directors**  
Greg Heitzman

- **Kentucky 811 and Underground Safety Alliance**  
Kate Farrow, Vice-chair
- **Kentucky Chapter of Hazardous Materials Managers Board of Directors**  
Ralph McCord
- **Kentucky Derby Festival Board of Directors**  
Jim Brammell
- **Kentucky Industry Liaison Group Board**  
Kathy Schroeder
- **Kentucky Infrastructure Authority Board of Directors**  
Greg Heitzman
- **Kentucky Labor Relations Board of Directors**  
Billy Meeks
- **KIPDA Water Management Council**  
Jim Brammell, Vice-chair
- **Kentucky/Tennessee Section of AWWA**  
Kay Ball, Chair
- **Kentucky Water/Wastewater Agency Response Network**  
Glen Mudd, Vice-chair
- **Leadership Kentucky Foundation Board of Directors**  
Barbara Dickens
- **Lincoln Foundation Board of Trustees**  
Ed Chestnut
- **Louisville/Jefferson County Information Consortium (LOJIC) Policy Board**  
Greg Heitzman and Jim Brammell
- **Louisville Sports Commission Board of Directors**  
Amber Halloran
- **Metro United Way Board of Directors**  
Billy Meeks
- **Ohio River Valley Water Sanitation Commission, Water Users Advisory Committee**  
Jack Wang
- **Salvation Army, Louisville Area Command Advisory Board**  
Kim Reed
- **Spot Fund, Inc. Board**  
Jim Brammell and Amber Halloran
- **UofL Center for Infrastructure Research Advisory Board**  
Jim Brammell and Jim Smith
- **UofL School of Public Health and Information Sciences Advisory Board**  
Jim Brammell
- **Water Research Foundation Board of Trustees**  
Greg Heitzman



1964  
Company begins to expand outside the city limits

1967  
Allmond Avenue Distribution Facility opens

1969  
Neil Armstrong steps onto the moon

1970  
Environmental Protection Agency created



1971  
Water Tower and original Pumping Station are named National Historic Landmarks



1974  
Tornado knocks out power to the Crescent Hill facilities and throws cars into the reservoir



FINANCIAL PERFORMANCE – OPERATIONS



Amber Halloran  
Vice President, Finance and  
Treasurer

2010 continued to be a challenging year, yet Louisville Water effectively managed to increase operating revenue while reducing our expenses. The slow economic recovery coupled with the continuation across the United States of declining water consumption produced water sales lower than 2010 budgeted levels. Residential, commercial and wholesale sales were substantially under budget. However, when compared to 2009, Louisville Water had an outstanding fiscal performance. Although still below budget, water sales and net income increased significantly over 2009. Operating revenues were up \$12,394,556 or 9.1%. Water sales increased in 2010 due to increased sales in the dry summer and fall and a water rate increase of 4.5%, effective January 1, 2010.

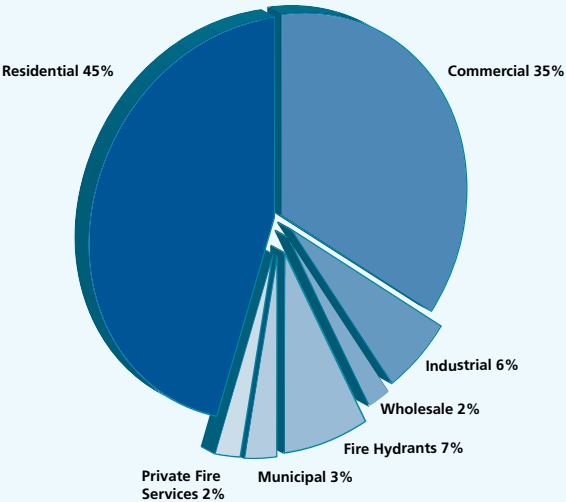
Louisville Water continued a focused, company-wide commitment to expense reduction by only spending what was required to operate the utility while continuing to provide a safe, reliable water supply to our customers and fulfilling our obligations to our bondholders and shareholder, Louisville Metro Government. This effort was successful in reducing our operating expenses by 2% under the 2010 budget. Net income increased \$4,092,406 or 10.9% over 2009, providing a 9.67% return on equity to our shareholder.

SALE OF WATER REVENUE ANALYSIS

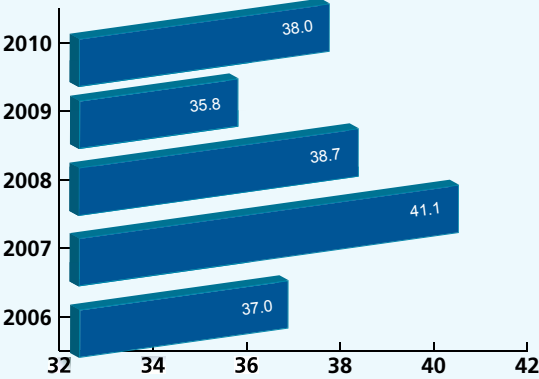
Louisville Water Company

	Number of Customers at December 31		Consumption - YTD (1,000 gallons)		Revenue - YTD (In 000's)	
	2010	2009	2010	2009	2010	2009
Residential	248,451	247,192	16,067,929	14,973,777	\$ 63,957	\$ 57,802
Commercial	24,711	24,196	15,084,249	14,560,094	48,826	44,855
Industrial	310	308	3,587,835	3,225,276	8,532	7,502
Fire Services & Fire Hydrants	5,020	4,908	32,601	34,671	2,673	2,541
Public Fire Hydrants	21,480	21,323	-	-	9,348	8,874
Municipal	649	635	1,404,163	1,272,653	3,838	3,387
Wholesale	6	6	1,820,246	1,730,044	3,146	2,991
Grand Totals	300,627	298,568	37,997,023	35,796,515	\$140,320	\$127,952

2010 WATER REVENUE



TOTAL CONSUMPTION  
(in billion gallons)



OPERATIONS  
(amount in millions of gallons)

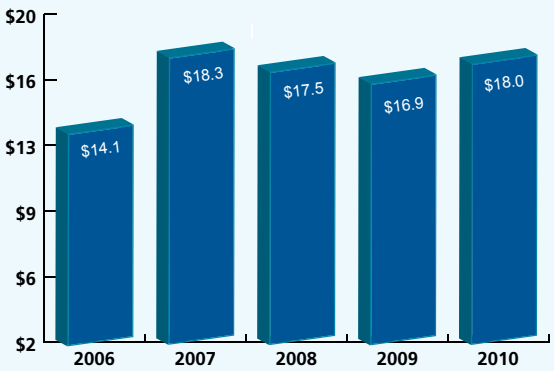
	2006	2007	2008	2009	2010
Water Delivered to Mains (Net System Delivery)	44,590	48,817	47,460	44,476	46,234
Average Daily Pumpage	124	136	132	124	128
Maximum Daily Pumpage	173	197	180	157	173
Percent of Water Metered	85%	85%	83%	82%	83%
Average Residential Monthly Water Bill*	\$17.25	\$18.40	\$19.78	\$20.87	\$21.80

\* Based upon median usage of 6,000 gallons per month

HISTORICAL REVIEW (In 000's)

	2006	2007	2008	2009	2010
Operating Revenues	\$ 114,092	\$ 132,056	\$ 136,743	\$ 135,833	\$ 148,228
Total Operating Expenses	80,029	89,151	93,463	94,050	99,475
Net Non-Operating Income (Expenses)	(3,373)	(2,278)	(4,037)	(4,367)	(7,245)
Net Income Before Distributions, Contributions and Extraordinary Items	30,690	40,626	39,242	37,416	41,508

DIVIDENDS DECLARED (in millions)



In 2010, Louisville Water declared a dividend of \$18 million for our shareholder, Louisville Metro, representing a 9.67% return on equity. In addition, our shareholder receives the benefit of free water for fire protection with public fire hydrants and water for city operations.

WATER AND FIRE SERVICE  
PROVIDED IN LIEU OF TAXES  
(in millions)



AVERAGE RESIDENTIAL  
MONTHLY WATER BILL



Louisville Water continues to offer customers a good value with some of the lowest water rates in the region. An average residential monthly bill for 6,000 gallons is \$21.80.



1977  
B.E. Payne Treatment  
Plant opens

1977  
Chicago begins test-  
ing the first public  
use of cell phones



1985  
Company develops a plan to  
renew its infrastructure, now  
considered a national model

1991  
Gulf War



1997  
Pure Tap® program begins to  
promote the reliability, safety  
and value of tap water

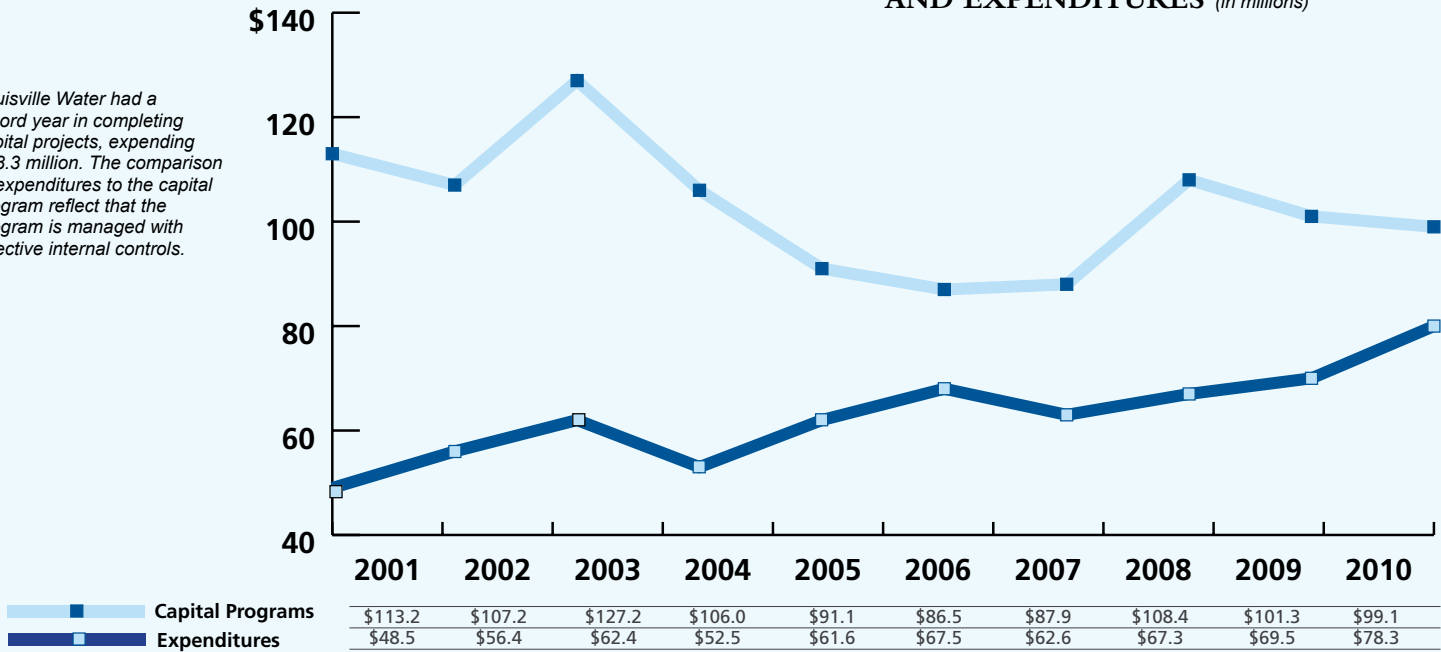
1997  
Spacecraft  
lands on Mars



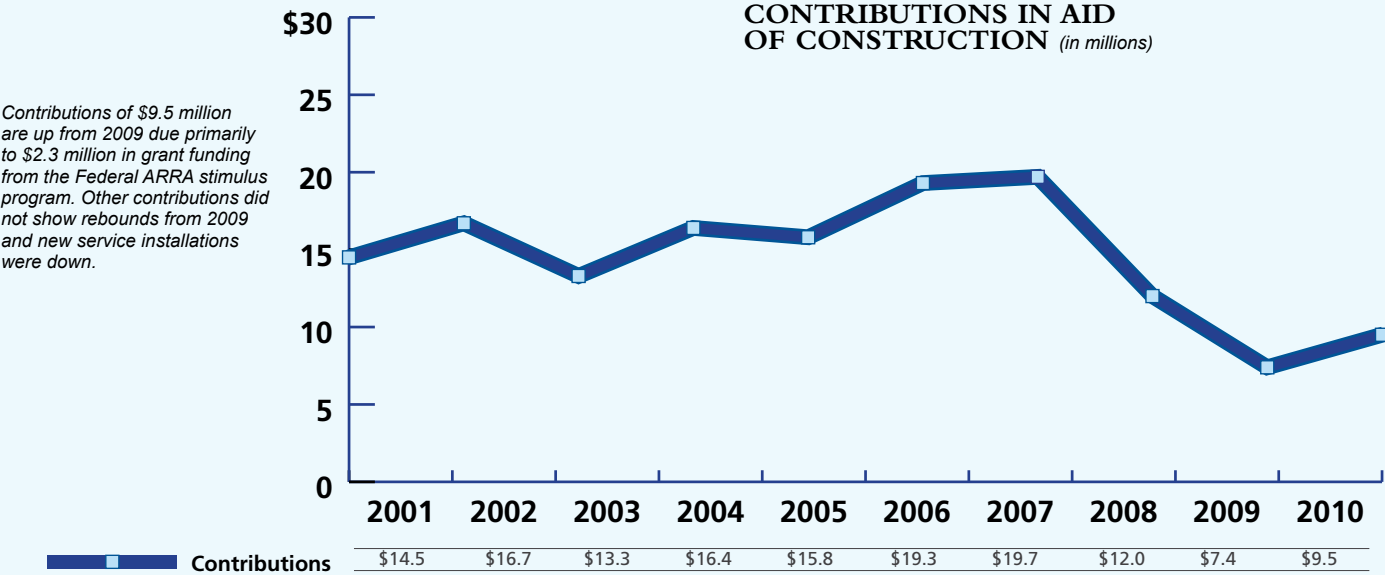
FINANCIAL PERFORMANCE - CAPITAL

Louisville Water had a record year in completing capital projects, expending \$78.3 million. The comparison of expenditures to the capital program reflect that the program is managed with effective internal controls.

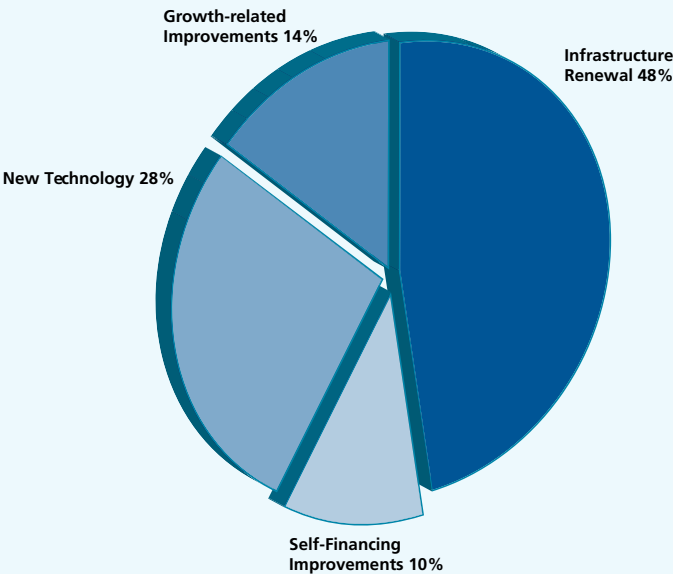
TOTAL CAPITAL PROGRAM AND EXPENDITURES (in millions)



CONTRIBUTIONS IN AID OF CONSTRUCTION (in millions)



2011-2020 CAPITAL IMPROVEMENT PROGRAM

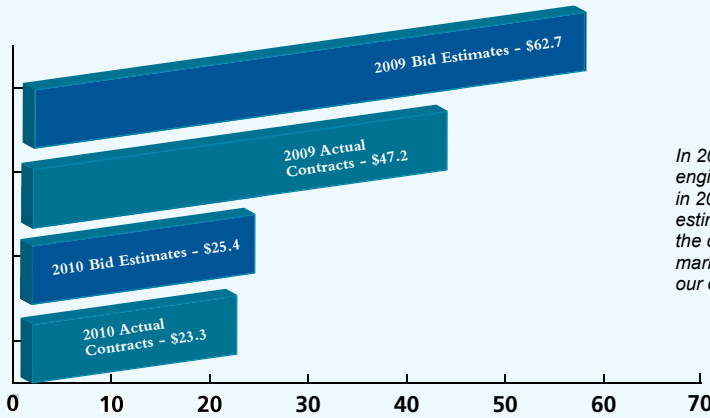


2011-2030 FACILITY PLAN

A collaborative effort among employees and CDM Engineers produced an updated facility plan in December. The plan provides concise discussions about current conditions and business drivers, opportunities for business enhancement, operational considerations and real estate holdings. The plan recommends specific improvements and includes a 20-year capital plan. Part of the plan also includes financial considerations to ensure funding for the capital program.

While the total 20-year plan is over \$1.2 billion, Louisville Water has budgeted over \$640 million during the next ten years for capital improvements with the largest component assigned to infrastructural renewal. The investment in new technology includes an initiative to replace our customer service and billing system and to expand our automated meter reading program.

CAPITAL BIDS (in millions)  
Estimates versus Actual Contracts



In 2009, capital bids were 24.7% lower than engineering estimates. The margin tightened in 2010 with bids coming in at only 8.3% below estimates. This is likely due to a combination of the construction market rebounding slightly and market adjustment in the estimates prepared by our engineers.

A large part of the capital program goes towards infrastructure renewal. In 2010, we invested \$5.0 million to replace 7.5 miles of cast iron main and rehabilitate 9.4 miles of unwrapped ductile iron pipe. This work will extend the service life of the pipe another 65 years. We also replaced over 1,000 lead service lines as part of an on-going renewal program. Our goal is to eliminate all lead service lines by 2015.



**1998**  
Company moves to its current headquarters at 550 S Third Street

**2001**  
9/11 Terror Attack



**2002**  
Adventures in Water education program begins in local schools

**2007**  
Corporate office renamed the John L. Huber building



**2008**  
Louisville Water named "best tasting tap water in America" by the American Water Works Association

**2009**  
Louisville Water receives AAA rating from Standard and Poor's



**2010**  
Riverbank filtration goes on-line as the first project in the world to combine a tunnel with wells as a source for drinking water



CORPORATE INFORMATION

BOARD OF WATER WORKS  
(as of December 31, 2010)

The Board of Water Works is composed of seven members:

- The Louisville Metro Mayor appoints all members.
- The membership is bi-partisan, with no more than 50 percent from the same political party.
- All new board members serve staggered four-year terms.
- The Louisville Metro Mayor serves as ex officio.



Ed Crooks  
Assistant Business Manager  
Plumbers and Pipefitters  
Local Union 502



Jerry Abramson  
Mayor, Louisville Metro  
(ex officio)



Gerald Martin  
Chair, Board of Water Works  
Vice President and  
Managing Member  
River Hill Capital, LLC



Marita Willis  
Vice Chair, Board of Water Works  
Assistant Vice President  
PNC Bank



Creighton Mershon  
Retired General Counsel  
AT&T (formerly Bell South)



Tandy Patrick  
Lawyer  
Greenebaum Doll and  
McDonald PLLC



Glenn D. Sullivan  
President, The Sullivan  
University System, Inc.



EXECUTIVE LEADERSHIP TEAM

- Left to right
- Barbara Dickens – Vice President, General Counsel and Secretary
- Billy Meeks – President, AFSCME Local 1683
- Jim Brammell – Vice President, Operations and Chief Engineer
- Ed Chestnut – Vice President, Administration
- Greg Heitzman – President/CEO
- Dave Vogel – Vice President, Customer Service and Distribution Operations
- Amber Halloran – Vice President, Finance – Treasurer

Louisville Metro Mayor Jerry Abramson ended 21 years of service with the Board of Water Works in December. Abramson was an ex officio member of the Board during his term as Mayor of Louisville (1986-1999) and as Mayor of the merged city and county government (2003-2011). We acknowledge his enthusiastic commitment to Louisville Water and the vision he provided.



Board Chair Gerald Martin and President and CEO Greg Heitzman present Mayor Abramson with a copy of the original drawing of the Louisville Water Tower.

150 YEARS OF QUALITY

In 1860, Louisville Water Company began with 16 positions that included a president, chief engineer and assistants, hydrant inspector, oilman, a reservoir keeper and a night watchman.

On our 150th anniversary, 450 people work at Louisville Water in jobs that still include a few from 1860 but have expanded to

include scientists, meter readers, customer care operators, computer technicians and more.

Our employees deliver exceptional quality and service every day. On this page, we recognize the employees who worked at Louisville Water in 2010.

FAbell.....WAdams.....VAdwell.....KAllen.....SAllen.....YAllen.....DAIgeier.....GAivey.....LAmshoff.....LArcher.....CArmenta.....TAtwell.....DAustin.....EAYers.....JAZzara.....DBall.....KBall.....PBarker.....KBarnett.....LBasey.....JBates.....VBauscher.....KBeatty.....KBeckum.....JBerkley.....MBerry.....GBetts.....SBeyerle.....MBigham.....LBille.....YBillingslea.....KBlair.....CBlanton.....GBloom.....CBobay.....BBobbitt.....ABonds.....PBooher.....JBooher.....LBorne-man.....BBradley.....JBrammell.....JBridges.....RBridges.....YBroadway.....JBrooks.....KBrooks.....JBrooks.....TBrough.....JBrown.....MBrown.....SBruce.....DBrumley.....SBrunton.....RBrutscher.....DBryant.....LBryant.....CBullitt.....BBurba.....TBurdette.....MBurmester.....MButler.....RCalloway.....GCamp.....SCamp.....BCampbell.....TCampbell.....DCarr.....WCarruthers.....ACarter.....LCary.....ACavins.....RChandler.....CCheeks.....PChervenak.....EChestnut.....DChildress.....JChodynietki.....AClark.....BClark.....CClark.....DClark.....TCobb.....SCockeril.....DCollier.....CCollins.....BCombs.....TConner.....CCook.....KCoombs.....HCooper.....SCorbin.....DCorder.....SCottongim.....JCovert.....MCox.....MCox.....SCox.....TCox.....CCrawford.....LCrayton.....JCurran.....MCushing.....TCushing.....DCzajka.....HDahman.....JDavidson.....MDavis.....MDeeley.....MDeignan.....BDickens.....CDietz.....TDonahue.....LDooley.....SDougherty.....DDowell.....CDoyle.....DDrane.....GDukes.....MDurham.....MDurrett.....JEberle.....REiler.....DEisert.....RElam.....JElhafy-ani.....WEllison.....BEImore.....DEmby.....LEstes.....NEstes.....TEvans.....OEverett.....SEwing.....BFarmer.....KFarrow.....CFautz.....JFord.....KForster.....SFoster.....NFrederick.....BFreeman.....EFritz.....SFuchs.....MFur-long.....HGarcia-Reichert.....DGathof.....GGibbs.....TGilbert.....RGillon.....BGimbel.....KGlenn.....DGnau.....DGnau.....WGoins.....CGoodloe.....VGood-ner.....SGrant.....AGregory.....RGriggs.....JGrunow.....JGuenthner.....SGul-ly.....THainline.....DHall.....AHalloran.....MHarlan.....MHarpe.....CHarper.....DHarrett.....BHarris.....DHarris.....DHarshfield.....MHarshfield.....WHart-lage.....BHayes.....CHayes.....KHazel.....GHeitzman.....AHenderson.....PHenry.....MHerbig.....JHettich.....DHettinger.....AHewitt.....BHicks.....LHig-don.....WHill.....HHobbs.....AHolguin.....THolkamp.....JHood.....LHood.....DHorne.....LHornek.....JHorrell.....DHoulette.....GHoward.....JHoward.....LHoward.....MHoward.....WHume.....SHumphrey.....HHunt.....JHutchin-son.....LHynes.....Sigwe.....Vilari.....MIsgrigg.....DJared.....MJared.....GJef-



Louisville Water employees circa 1880

fries.....NJenkins.....CJohnson.....TJohnson.....WJohnson.....DJohnston.....PKaelin.....KKastensmidt.....RKennedy.....WKimbel.....WKing.....LKirk.....RKitts.....TLambert.....ALampe.....RLancaster.....TLangford.....DLawson.....RLeMaster.....FLeupp.....RLewis.....KLikens.....TLikens.....JLile.....JLin-ville.....DLivingston.....CLogsdon.....JLong.....LLorimor.....JLueke.....CLy-ons.....SMacGeorge.....DMackell.....EMackin.....SMackin.....KMahaffey.....WMalone.....CMartin.....LMartin.....MMartin.....RMartis.....GMason.....BMatherly.....BMatherly.....EMcAnelly.....BMcBride.....EMcCarty.....KMcCau-ley.....TMcCauley.....MMcClanahan.....RMcCord.....JMcGarry.....JMcGee.....JMcGinty.....EMcGiveney.....JMcGuire.....JMcGuire.....JMcHatton.....DMcK-ay.....RMcLemore.....CMcMullen.....JMcMullen.....NMcMullen.....WMedley.....BMeeks.....CMeeks.....KMENTel.....KMeriwether.....TMetcalf.....MMeyer.....MMeyer.....TMeyer.....RMiddletton.....MMiller.....TMiller.....TMills.....BMIn-gus.....RMingus.....MMitchell.....TMok.....VMonks.....EMoore.....CMoore.....DMorrow.....TMowman.....GMudd.....BMullen.....SNalley.....CNally.....JNett.....ANEuner.....CNewman.....BNewton.....JNichoels.....ANorris.....VNorris.....LLogburn.....EO'Mara.....ROsborn.....MOTTens-Settles.....JPal-in.....VPasley.....LPence.....WPerry.....DPerry.....DPeterson.....JPeyton.....APhipps.....KPierce.....PPierce.....TPiercy.....GPike.....RPotts.....EPruitt.....SPurdy.....APurvis.....APyle.....WQin.....TQueen.....MQuinn.....DQuinones.....LRaley.....DRandall.....ARalston.....JRalston.....CRay.....TReddington.....JRedmon.....GReed.....HReed.....KReed.....NReed.....RReichert.....MRe-id.....LReid.....JReitz.....PReyes.....DReynolds.....TReynolds.....JRice.....WRigdon.....JRisinger.....BRobertson.....CRobinson.....KRobinson.....ERO-ederer.....LRountree.....GRyan.....MRyan.....DSamuels.....JSanders.....MSanders.....MSauer.....ASchafflein.....DSchenkenfelder.....ESchmidt.....KSchro-eder.....CScott.....SSeetharam.....TSettles.....SShaw.....CSherer.....JSherer.....DSimmons.....LSlater.....LSlovacek.....JSmallwood.....JSmith.....KSmith.....LSmith.....LSmith.....NSmith.....RSmith.....SSmith.....ASmyzer.....CSnider.....BSoice.....RSong.....SSpalding.....MSPencer.....PStallings.....ESTarnes.....MStepp.....JStone.....SStrulson.....BSturgeon.....KSturgeon.....MSullivan.....VSunkara.....MSweat.....ASweazy.....CSwitzer.....TTaylor.....DTegene.....ITem-ple.....STennyson.....ATHacker.....GThielmeier.....ATHomas.....TTichenor.....FTimaji.....BTivitt.....VToney.....JTope.....JTruax.....RTucker.....STyner.....AVanA-very.....TVance.....JVanhowe.....CVAughn.....SVegaVelez.....CVincent.....DVogel.....RWade.....JWalker.....SWalker.....LWallace.....MWallace.....EWalls.....GWalsh.....JWalton.....JWang.....LWarren.....LWashburn.....JWatkins.....CWeikert.....VWesley.....AWhite.....RWhite.....WWhitehouse.....AWhiting.....CWhit-sett.....AWilliams.....HWilliams.....LWilliams.....EWilson.....FWinchell.....NWohlieb.....AWoodard.....SWorthington.....CWyatt.....KYadav.....WYates.....XZhu.....JZiegler.....JZimmer



Employees and their families on the 150th anniversary





550 South Third Street  
Louisville, KY 40202  
502.569.3600  
[www.louisvillewater.com](http://www.louisvillewater.com)